

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Orient-Macksburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education
(Before September 2007 Election)**

Ron Lauer	President	2008
Brian Britten	Vice President	2007
Ellen Pool	Board Member	2008
Robin Sevier	Board Member	2009
Brian Rohrig	Board Member	2009

**Board of Education
(After September 2007 Election)**

Ron Lauer	President	2008
Ellen Pool	Vice President	2008
Doug White	Board Member	2010
Robin Sevier	Board Member	2009
Brian Rohrig	Board Member	2009

School Officials

Steve Callison	Superintendent	2008
Shelly Darling	Board Secretary/Treasurer (Resigned)	2008
Lisa Edwards	Interim Board Secretary	2008
Linda Marley	Board Secretary/Treasurer (Appointed)	2008
Gruhn Law Office	Attorney	2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Orient-Macksburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Orient-Macksburg Community School District, Orient Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orient-Macksburg Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2009 on our consideration of the Orient-Macksburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Orient-Macksburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Orient-Macksburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,593,393 in fiscal 2007 to \$2,804,551 in fiscal 2008, while General Fund expenditures decreased from \$2,698,590 in fiscal 2007 to \$2,529,444 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$183,559 in fiscal 2007 to a balance of \$458,666 in fiscal 2008, a 149.87% increase over the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state, source revenues in fiscal 2008. The decrease in expenditures was due primarily to a decrease in instruction and support services expenditures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Orient-Macksburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Orient-Macksburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Orient-Macksburg Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Orient-Macksburg Community School District Annual Financial Report

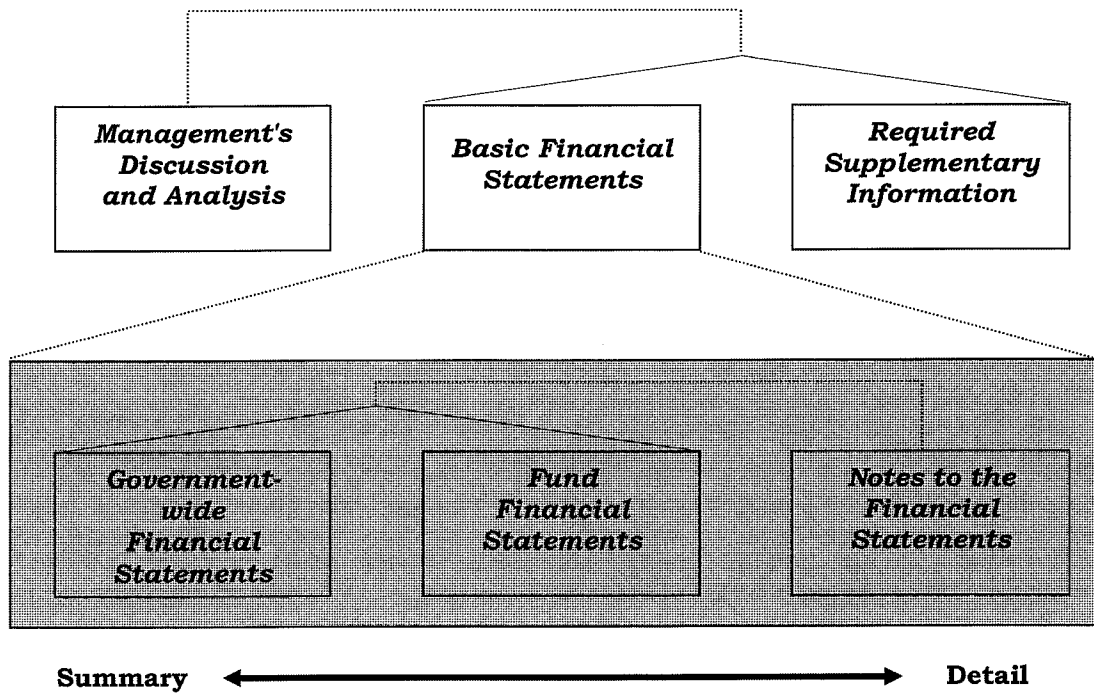


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund, and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition and Day Care Funds.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 2,638,787	2,476,247	(29,835)	19,063	2,608,952	2,495,310	4.55%
Capital assets	1,367,530	1,325,509	9,390	12,267	1,376,920	1,337,776	2.93%
Total assets	4,006,317	3,801,756	(20,445)	31,330	3,985,872	3,833,086	3.99%
Long-term obligations	485,000	510,000	0	0	485,000	510,000	-4.90%
Other liabilities	1,620,544	1,689,940	35,124	28,294	1,655,668	1,718,234	-3.64%
Total liabilities	2,105,544	2,199,940	35,124	28,294	2,140,668	2,228,234	-3.93%
Net assets:							
Invested in capital assets, net of related debt	882,530	769,571	9,390	12,267	891,920	781,838	14.08%
Restricted	519,275	461,870	0	0	519,275	461,870	12.43%
Unrestricted	498,968	370,375	(64,959)	(9,231)	434,009	361,144	20.18%
Total net assets	\$ 1,900,773	1,601,816	(55,569)	3,036	1,845,204	1,604,852	14.98%

The District's combined net assets increased by 14.98%, or \$240,352, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 12.43% or \$57,405 over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately 20.18% or \$72,865.

Figure A-4 shows the changes in net assets for the years ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-Type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 352,259	364,712	100,138	102,296	452,397	467,008	-3.13%
Operating grants and contributions and restricted interest	426,036	474,550	54,338	50,355	480,374	524,905	-8.48%
Capital grants and contributions and restricted interest	0	25,000	0	0	0	25,000	-100.00%
General revenues:							
Property tax	1,454,332	1,272,077	0	0	1,454,332	1,272,077	14.33%
Local option sales and service tax	143,725	152,242	0	0	143,725	152,242	0.00%
Unrestricted state grants	831,900	805,420	0	0	831,900	805,420	3.29%
Other	99,549	37,128	56	241	99,605	37,369	166.54%
Total revenues	3,307,801	3,131,129	154,532	152,892	3,462,333	3,284,021	5.43%
Program expenses:							
Governmental activities:							
Instructional	1,949,147	2,043,987	0	0	1,949,147	2,043,987	-4.64%
Support services	756,722	692,080	0	0	756,722	692,080	9.34%
Non-instructional programs	1,881	2,579	213,137	151,061	215,018	153,640	39.95%
Other expenses	301,094	291,297	0	0	301,094	291,297	3.36%
Total expenses	3,008,844	3,029,943	213,137	151,061	3,221,981	3,181,004	1.29%
Change in net assets	298,957	101,186	(58,605)	1,831	240,352	103,017	133.31%
Net assets beginning of year	1,601,816	1,500,630	3,036	1,205	1,604,852	1,501,835	6.86%
Net assets end of year	\$ 1,900,773	1,601,816	(55,569)	3,036	1,845,204	1,604,852	14.98%

In fiscal 2008, property tax and unrestricted state grants account for 69.12% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.96% of the revenue from business type activities.

The District's total revenues were \$3,462,333 of which \$3,307,801 was for governmental activities and \$154,532 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 5.43% in revenues and a 1.29% increase in expenses. The increase in expenses was related to an increase in the negotiated salaries and benefits of the Day Care Fund.

Governmental Activities

Revenues for governmental activities were \$3,307,801 and expenses were \$3,008,844.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 1,949,147	2,043,987	-4.64%	1,260,002	1,291,173	-2.41%
Support services	756,722	692,080	9.34%	755,679	692,080	9.19%
Non-instructional	1,881	2,579	-27.06%	1,881	2,579	-27.06%
Other expenses	301,094	291,297	3.36%	212,987	179,849	18.43%
Totals	<u>\$ 3,008,844</u>	<u>3,029,943</u>	<u>-0.70%</u>	<u>2,230,549</u>	<u>2,165,681</u>	<u>3.00%</u>

- The cost financed by users of the District's programs was \$352,259.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$426,036.
- The net cost of governmental activities was financed with \$1,454,332 in property tax, \$143,725 in local option sales and service tax, \$831,900 in unrestricted state grants, \$20,377 in interest income, and \$79,172 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$154,532 and expenses were \$213,137. The District's business-type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Orient-Macksburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$907,524, compared to last year's ending fund balances of \$677,421.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increased local, state, and federal source revenues allowed the governmental funds to continue to improve.
- The Management Levy fund balance increased from \$178,322 in 2007, to \$211,133 in 2008, due to decreased support services expenditures.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$12,018 to \$23,815, due to a decrease in facility acquisition expenditures.
- The Capital Projects fund balance decreased from \$230,503 to \$142,895, due to increased expenditures in the facilities acquisitions.

Proprietary Fund Highlights

- The School Nutrition Fund net assets decreased from \$3,721 at June 30, 2007 to a deficit balance of \$8,638, at June 30, 2008, representing a decrease of 332.14%.
- The Day Care Fund net assets decreased from a deficit fund balance of \$685 at June 30, 2007 to deficit fund balance of \$46,931 at June 30, 2008, representing a decrease of 6,751.24%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$66,574 less than budgeted revenues, a variance of 1.89%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction, non-instruction, and the other expenditures functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$1,376,920, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents an increase of 2.93% compared to the previous year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$130,881.

The original cost of the District's capital assets was \$3,258,291. Governmental funds account for \$3,210,053 with the remainder of \$48,238 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$211,589 at June 30, 2007 compared to \$135,047, reported at June 30, 2008. This decrease resulted from the disposal of instructional equipment.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 31,728	31,728	0	0	31,728	31,728	0.00%
Buildings	1,086,787	970,338	0	0	1,086,787	970,338	12.00%
Improvements other than buildings	123,358	124,121	0	0	123,358	124,121	-0.61%
Machinery and equipment	125,657	199,322	9,390	12,267	135,047	211,589	-36.17%
Total	\$ 1,367,530	1,325,509	9,390	12,267	1,376,920	1,337,776	2.93%

Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of \$485,000 in general obligation bonds. This represents a decrease of 4.90% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$485,000 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30, 2008	2007	June 30, 2007-08
General obligation bonds	\$ 485,000	510,000	-4.90%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The budget guarantee, (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period, which began in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Marley, District Board Secretary, Orient-Macksburg Community School District, P.O. Box 129, Orient, Iowa, 50858.

BASIC FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,002,747	0	1,002,747
Receivables:			
Property tax:			
Delinquent	23,139	0	23,139
Succeeding year	1,370,347	0	1,370,347
Income surtax	113,656	0	113,656
Interfund	36,635	(36,635)	0
Accounts	623	2,383	3,006
Due from other governments	91,640	120	91,760
Inventories	0	4,297	4,297
Capital assets, net of accumulated depreciation (Note 4)	1,367,530	9,390	1,376,920
Total Assets	4,006,317	(20,445)	3,985,872
Liabilities			
Warrents in excess of bank balance	0	22,765	22,765
Accounts payable	21,405	68	21,473
Interest payable	2,937	0	2,937
Salaries and benefits payable	224,548	11,231	235,779
Deferred revenue:			
Succeeding year property tax	1,370,347	0	1,370,347
Other	1,307	0	1,307
Unearned revenue	0	1,060	1,060
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds	45,000	0	45,000
Portion due after one year:			
General obligation bonds	440,000	0	440,000
Total Liabilities	2,105,544	35,124	2,140,668
Net Assets			
Invested in capital assets, net of related debt	882,530	9,390	891,920
Restricted for:			
Additional teacher contract day	281	0	281
Market factor	982	0	982
Early intervention	32,069	0	32,069
Talented and gifted	8,671	0	8,671
Physical plant and equipment levy	52,229	0	52,229
Management levy	211,133	0	211,133
Capital projects	142,895	0	142,895
Debt service	47,505	0	47,505
Other special revenue purposes	23,510	0	23,510
Unrestricted	498,968	(64,959)	434,009
Total Net Assets	\$ 1,900,773	(55,569)	1,845,204

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for	Operating Grants, Contributions and Restricted	Governmental	Business-Type	
	Expenses	Services	Interest	Activities	Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,126,618	187,805	324,893	(613,920)	0	(613,920)
Special instruction	304,451	51,247	11,993	(241,211)	0	(241,211)
Other instruction	518,078	113,207	0	(404,871)	0	(404,871)
	1,949,147	352,259	336,886	(1,260,002)	0	(1,260,002)
Support services:						
Student services	24,559	0	0	(24,559)	0	(24,559)
Instructional staff services	67,567	0	0	(67,567)	0	(67,567)
Administration services	349,712	0	0	(349,712)	0	(349,712)
Operation and maintenance of plant services	178,222	0	0	(178,222)	0	(178,222)
Transportation services	136,662	0	1,043	(135,619)	0	(135,619)
	756,722	0	1,043	(755,679)	0	(755,679)
Non-instructional programs	1,881	0	0	(1,881)		(1,881)
Other expenditures:						
Facilities acquisitions	133,905	0	0	(133,905)	0	(133,905)
Long-term debt interest	24,743	0	0	(24,743)	0	(24,743)
AEA flowthrough	88,107	0	88,107	0	0	0
Depreciation(unallocated)*	54,339	0	0	(54,339)	0	(54,339)
	301,094	0	88,107	(212,987)	0	(212,987)
Total governmental activities	3,008,844	352,259	426,036	(2,230,549)	0	(2,230,549)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	121,635	54,882	54,338	0	(12,415)	(12,415)
Daycare services	91,502	45,256	0	0	(46,246)	(46,246)
Total business-type activities	213,137	100,138	54,338	0	(58,661)	(58,661)
Total	\$ 3,221,981	452,397	480,374	(2,230,549)	(58,661)	(2,289,210)
General Revenues:						
Local tax for:						
General purposes				\$ 1,293,610	0	1,293,610
Debt service				67,868	0	67,868
Capital outlay				92,854	0	92,854
Local option sales and services				143,725	0	143,725
Unrestricted state grants				831,900	0	831,900
Unrestricted investment earnings				20,377	56	20,433
Other				79,172	0	79,172
Total general revenues				2,529,506	56	2,529,562
Change in net assets				298,957	(58,605)	240,352
Net assets beginning of year				1,601,816	3,036	1,604,852
Net assets end of year				\$ 1,900,773	(55,569)	1,845,204

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Manage- ment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
Assets						
Cash and pooled investments	\$ 597,325	209,921	102,914	46,309	46,278	1,002,747
Receivables:						
Property tax:						
Delinquent	19,684	1,212	0	1,196	1,047	23,139
Succeeding year	1,171,713	70,000	0	63,020	65,614	1,370,347
Income surtax	85,242	0	0	0	28,414	113,656
Interfund	36,635	0	0	0	0	36,635
Accounts	623	0	0	0	0	623
Due from other governments	51,659	0	39,981	0	0	91,640
Total Assets	\$ 1,962,881	281,133	142,895	110,525	141,353	2,638,787
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 21,405	0	0	0	0	21,405
Salaries and benefits payable	224,548	0	0	0	0	224,548
Deferred revenue:						
Succeeding year property tax	1,171,713	70,000	0	63,020	65,614	1,370,347
Income surtax	85,242	0	0	0	28,414	113,656
Other	1,307	0	0	0	0	1,307
Total liabilities	1,504,215	70,000	0	63,020	94,028	1,731,263
Fund balances:						
Reserved for:						
Debt service	0	0	0	47,505	0	47,505
Additional teacher contract day	281	0	0	0	0	281
Market factor	982	0	0	0	0	982
Early intervention	32,069	0	0	0	0	32,069
Talented and gifted	8,671	0	0	0	0	8,671
Unreserved	416,663	211,133	142,895	0	47,325	818,016
Total fund balances	458,666	211,133	142,895	47,505	47,325	907,524
Total Liabilities and Fund Balances	\$ 1,962,881	281,133	142,895	110,525	141,353	2,638,787

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds(page 15)	\$ 907,524
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,367,530
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,937)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	113,656
Long-term liabilities, including bonds payable and are not due and payable in the current period and, therefor, are not reported as liabilities in the governmental funds.	<u>(485,000)</u>
Net assets of governmental activities(page 13)	<u><u>\$ 1,900,773</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Manage- ment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue Fund	Total
REVENUES:						
Local sources:						
Local tax	\$ 1,224,400	69,210	123,249	67,868	92,854	1,577,581
Tuition	232,654	0	0	0	0	232,654
Other	89,641	9,104	5,131	1,400	113,878	219,154
State sources	1,142,436	29	20,476	24	27	1,162,992
Federal sources	115,420	0	0	0	0	115,420
Total revenues	2,804,551	78,343	148,856	69,292	206,759	3,307,801
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	1,073,315	11,110	0	0	5,249	1,089,674
Special instruction	304,451	0	0	0	0	304,451
Other instruction	399,750	0	0	0	118,328	518,078
	1,777,516	11,110	0	0	123,577	1,912,203
Support services:						
Student services	24,559	0	0	0	0	24,559
Instructional staff services	54,761	1,119	0	0	8,531	64,411
Administration services	333,122	846	0	0	0	333,968
Operation and maintenance of plant services	155,202	22,820	0	0	0	178,022
Transportation services	96,177	7,756	0	0	0	103,933
	663,821	32,541	0	0	8,531	704,893
Non-instructional programs:						
Food service operations	0	1,881	0	0	0	1,881
Other expenditures:						
Facilities acquisitions	0	0	236,464	0	67,466	303,930
Long-term debt:						
Principal	0	0	0	40,000	0	40,000
Interest	0	0	0	26,576	0	26,576
AEA flowthrough	88,107	0	0	0	0	88,107
	88,107	0	236,464	66,576	67,466	458,613
Total expenditures	2,529,444	45,532	236,464	66,576	199,574	3,077,590
Excess(deficiency) of revenues over(under) expenditures	275,107	32,811	(87,608)	2,716	7,185	230,211
Other financing sources(uses):						
Issuance of refunding bonds	0	0	0	525,000	0	525,000
Payment to Escrow agent	0	0	0	(510,000)	0	(510,000)
Cost of issuance of debt issued	0	0	0	(15,108)	0	(15,108)
Total other financing sources(uses)	0	0	0	(108)	0	(108)
Net change in fund balances	275,107	32,811	(87,608)	2,608	7,185	230,103
Fund balance beginning of year	183,559	178,322	230,503	44,897	40,140	677,421
Fund balance end of year	\$ 458,666	211,133	142,895	47,505	47,325	907,524

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 230,103

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 170,025	
Depreciation expense	(128,004)	42,021

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Issued	\$ (525,000)	
Repaid	550,000	25,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,833

Changes in net assets of governmental activities (page 14) \$ 298,957

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	School Nutrition	Day Care	Total
Assets			
Cash and cash equivalents	\$ 15,245	0	15,245
Accounts receivable	5	2,378	2,383
Due from other governments	120	0	120
Inventories	4,297	0	4,297
Capital assets, net of accumulated depreciation (Note 4)	9,390	0	9,390
Total Assets	29,057	2,378	31,435
Liabilities			
Warrants in excess of bank balance	0	38,010	38,010
Accounts payable	0	68	68
Interfund payable	36,635	0	36,635
Salary and benefits payable	0	11,231	11,231
Unearned revenues	1,060	0	1,060
Total Liabilities	37,695	49,309	87,004
Net Assets			
Invested in capital assets	9,390	0	9,390
Unrestricted	(18,028)	(46,931)	(64,959)
Total Net Assets	\$ (8,638)	(46,931)	(55,569)

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2008

	School Nutrition	Day Care	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 54,676	44,293	98,969
Other miscellaneous income	206	963	1,169
Total operating revenues	54,882	45,256	100,138
Operating expenses:			
Non-instructional programs:			
Salaries	56,286	72,184	128,470
Benefits	7,810	14,551	22,361
Services	801	0	801
Supplies	53,861	4,767	58,628
Depreciation	2,877	0	2,877
Total operating expenses	121,635	91,502	213,137
Operating loss	(66,753)	(46,246)	(112,999)
Non-operating revenues:			
State sources	1,572	0	1,572
Federal sources	52,766	0	52,766
Interest income	56	0	56
Total non-operating revenues	54,394	0	54,394
Changes in net assets	(12,359)	(46,246)	(58,605)
Net assets beginning of year	3,721	(685)	3,036
Net assets end of year	\$ (8,638)	(46,931)	(55,569)

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 54,485	4,077	58,562
Cash received from miscellaneous operating activities	206	45,256	45,462
Cash payments to employees for services	(64,096)	(82,080)	(146,176)
Cash payments to suppliers for goods or services	(48,505)	(4,699)	(53,204)
Net cash used in operating activities	(57,910)	(37,446)	(95,356)
Cash flows from non-capital financing activities:			
Interfund borrowings	16,168	0	16,168
State grants received	1,572	0	1,572
Federal grants received	46,259	0	46,259
Net cash provided by non-capital financing activities	63,999	0	63,999
Cash flows from investing and other financing activities:			
Interest on investments	56	0	56
Net increase(decrease) in cash and cash equivalents	6,145	(37,446)	(31,301)
Cash and cash equivalents at beginning of year	9,100	(564)	8,536
Cash and cash equivalents at end of year	\$ 15,245	(38,010)	(22,765)
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (66,753)	(46,246)	(112,999)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	6,387	0	6,387
Depreciation	2,877	0	2,877
Increase in inventories	(230)	0	(230)
Decrease in accounts receivable	0	4,077	4,077
Increase in accounts payable	0	68	68
Increase in salary and benefits payable	0	4,655	4,655
Decrease in unearned revenue	(191)	0	(191)
Net cash used in operating activities	\$ (57,910)	(37,446)	(95,356)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 15,245	(38,010)	(22,765)
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			

During the year ended June 30, 2008, the District received
Federal commodities valued at \$6,387.

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The Orient-Macksburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Orient and Macksburg, Iowa, and the predominate agricultural territory in Adams, Adair, Madison and Union Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Orient-Macksburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Orient-Macksburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adams, Adair, Madison and Union County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payments of principal and interest on the District's general long-term debt.

The Special Revenue - Management Levy Fund is utilized to account for the payment of property insurance.

The District's proprietary funds are the Enterprise, School Nutrition Fund and Enterprise, Day Care Fund. The School Nutrition Fund is used to account for the food service

operations of the District. The Day Care Fund is used to account for the day care service provided by the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue

consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the instructional, non-instructional and other expenditures function exceeded the amounts budgeted

(2) **Cash and Pooled Investments**

The District's deposits in bank at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Iowa Schools Joint Investment Trust	<u>\$ 368,631</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise:		
General	School Nutrition	<u>\$ 36,635</u>

The Nutrition Fund is repaying the General Fund for salaries and benefits that the General Fund paid at the end of the year. The balance will be repaid by June 30, 2008.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,728	0	0	31,728
Total capital assets not being depreciated	<u>31,728</u>	<u>0</u>	<u>0</u>	<u>31,728</u>
Capital assets being depreciated:				
Buildings	1,909,733	159,625	0	2,069,358
Land improvements	255,515	10,400	0	265,915
Machinery and equipment	935,204	0	92,152	843,052
Total capital assets being depreciated	<u>3,100,452</u>	<u>170,025</u>	<u>92,152</u>	<u>3,178,325</u>
Less accumulated depreciation for:				
Buildings	939,395	43,176	0	982,571
Land improvements	131,394	11,163	0	142,557
Machinery and equipment	735,882	73,665	92,152	717,395
Total accumulated depreciation	<u>1,806,671</u>	<u>128,004</u>	<u>92,152</u>	<u>1,842,523</u>
Total capital assets being depreciated, net	<u>1,293,781</u>	<u>42,021</u>	<u>0</u>	<u>1,335,802</u>
Governmental activities capital assets, net	<u>\$ 1,325,509</u>	<u>42,021</u>	<u>0</u>	<u>1,367,530</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 48,238	0	0	48,238
Less accumulated depreciation	35,971	2,877	0	38,848
Business-type activities capital assets, net	\$ 12,267	(2,877)	0	9,390

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular \$ 36,944

Support services:

Instructional staff services 3,156

Administration services 636

Operation and maintenance of plant services 200

Transportation 32,729

Unallocated depreciation 54,339

Total governmental activities depreciation expense \$ 128,004

Business-type activities:

Food services \$ 2,877

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 510,000	525,000	550,000	485,000	45,000

General Obligation

Details of the District's June 30, 2008 General Obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Issue dated February 15, 2008		
		Principal	Interest	Total
2009	3.30	% \$ 45,000	17,620	62,620
2010	3.30	50,000	16,135	66,135
2011	3.40	50,000	14,485	64,485
2012	3.50	50,000	12,785	62,785
2013	3.60	55,000	11,035	66,035
2014-17	3.70-4.00	235,000	23,215	258,215
Total		\$ 485,000	95,275	580,275

(6) Advance Refunding

On February 15, 2008, the District issued \$525,000 to advance refund \$510,000 of outstanding general obligation bonds dated May 27, 1997. The new advance refunding bonds have been added to the appropriate financial statements and schedules. The defeasement of principal and interest was \$510,000 and \$0. The net present value savings to the District for the advance refunding was \$29,799.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$94,763, \$91,140, and \$91,262, respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides the District dental coverage and protection.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2008 were \$3,149.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

Orient-Macksburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$88,107 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. Expenditures in the instructional, non-instructional and other expenditures function exceeded the amounts budgeted.

(11) Deficit Fund Balance

The District has a deficit unrestricted net assets in the Enterprise, School Nutrition and the Enterprise, Day Care Fund of \$18,028 and \$46,931, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,029,389	100,194	2,129,583	2,128,321	2,128,321	1,262
State sources	1,162,992	1,572	1,164,564	1,171,586	1,171,586	(7,022)
Federal sources	115,420	52,766	168,186	229,000	229,000	(60,814)
Total revenues	3,307,801	154,532	3,462,333	3,528,907	3,528,907	(66,574)
Expenditures:						
Instruction	1,912,203	0	1,912,203	1,903,620	1,903,620	(8,583)
Support services	704,893	0	704,893	1,294,565	1,294,565	589,672
Non-instructional programs	1,881	213,137	215,018	178,785	178,785	(36,233)
Other expenditures	458,613	0	458,613	362,790	362,790	(95,823)
Total expenditures	3,077,590	213,137	3,290,727	3,739,760	3,739,760	449,033
Excess(deficiency) of revenues over(under) expenditures	230,211	(58,605)	171,606	(210,853)	(210,853)	382,459
Other financing sources, net	(108)	0	(108)	0	0	(108)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	230,103	(58,605)	171,498	(210,853)	(210,853)	382,351
Balance beginning of year	677,421	3,036	680,457	953,166	953,166	(272,709)
Balance end of year	\$ 907,524	(55,569)	851,955	742,313	742,313	109,642

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides district expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the instructional, non-instructional, and other expenditures function exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2008

	Student Activity	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 23,510	22,768	46,278
Receivables:			
Property tax:			
Current year delinquent	0	1,047	1,047
Succeeding year	0	65,614	65,614
Income surtax	0	28,414	28,414
Total Assets	\$ 23,510	117,843	141,353
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 0	65,614	65,614
Income surtax	0	28,414	28,414
Total Liabilities	0	94,028	94,028
Fund balances:			
Unreserved	23,510	23,815	47,325
Total fund balances	23,510	23,815	47,325
Total Liabilities and Fund Balances	\$ 23,510	117,843	141,353

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2008

	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 0	92,854	92,854
Other	113,716	162	113,878
State sources	0	27	27
TOTAL REVENUES	113,716	93,043	206,759
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	0	5,249	5,249
Other instruction	118,328	0	118,328
	118,328	5,249	123,577
Support services:			
Instructional staff services	0	8,531	8,531
Other expenditures:			
Facilities acquisitions	0	67,466	67,466
TOTAL EXPENDITURES	118,328	81,246	199,574
Net change in fund balances	(4,612)	11,797	7,185
Fund balances beginning of year	28,122	12,018	40,140
Fund balances end of year	\$ 23,510	23,815	47,325

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Annual	\$ 2,209	5,780	7,018	971
Band Student Club	(143)	193	52	(2)
Bank Interest	(167)	482	309	6
HS Reading Club	3	0	0	3
Athletics	4,132	29,660	30,161	3,631
Lights BB field	2,117	11	120	2,008
Cheerleaders	263	1,812	1,423	652
Drill team	1,586	1,028	1,031	1,583
Class of 06	676	3	499	180
Class of 07	230	1	69	162
Class of 08	6,757	270	7,418	(391)
Class of 09	(757)	26,343	16,641	8,945
FFA	1,576	29,576	29,902	1,250
Ind tech club	8	0	0	8
MS reading club	829	3,610	4,388	51
Musical	1,647	2,094	3,732	9
NHS	(77)	407	473	(143)
Plays	821	143	753	211
Secondary Pepsi	1,324	1,960	2,817	467
Student council	(282)	4,117	3,591	244
Foods club	30	314	380	(36)
Elem reading club	5,318	5,912	7,551	3,679
Dance club	22	0	0	22
Total	\$ 28,122	113,716	118,328	23,510

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 1,577,581	1,414,094	1,441,106	1,667,689	1,450,519
Tuition	232,654	242,996	184,113	357,180	301,638
Other	219,154	183,840	191,373	145,093	157,826
State sources	1,162,992	1,080,173	1,119,141	1,161,841	1,082,862
Federal sources	115,420	199,801	132,040	134,419	114,604
Total	<u>\$ 3,307,801</u>	<u>3,120,904</u>	<u>3,067,773</u>	<u>3,466,222</u>	<u>3,107,449</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 1,089,674	1,200,060	1,004,980	1,073,567	1,165,472
Special instruction	304,451	321,654	342,002	322,037	488,633
Other instruction	518,078	546,657	585,287	527,096	376,388
Support services:					
Student services	24,559	23,125	20,274	36,621	27,840
Instructional staff services	64,411	71,329	97,808	28,307	36,089
Administration services	333,968	363,176	396,561	404,494	381,141
Operation and maintenance of plant services	178,022	185,764	201,614	261,624	203,028
Transportation services	103,933	96,322	199,603	110,230	97,651
Other support services	0	0	0	8,078	27,738
Non-instructional programs:					
Food service operations	1,881	2,579	1,953	2,692	1,724
Other expenditures:					
Facilities acquisitions	303,930	153,185	69,291	56,733	20,136
Long Term debt:					
Principal	40,000	48,840	43,496	43,164	39,837
Interest	26,576	30,910	32,779	35,214	36,230
AEA flow-through	88,107	86,448	85,283	86,123	86,409
Total	<u>\$ 3,077,590</u>	<u>3,130,049</u>	<u>3,080,931</u>	<u>2,995,980</u>	<u>2,988,316</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Orient-Macksburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Orient-Macksburg Community School District of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 20, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Orient-Macksburg Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Orient-Macksburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Orient-Macksburg Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Orient-Macksburg Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Orient-Macksburg Community School District's financial statements that is more than inconsequential will not be prevented or detected by Orient-Macksburg Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Orient-Macksburg Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Orient-Macksburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Orient-Macksburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Orient-Macksburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Orient-Macksburg Community School District and other parties to whom Orient-Macksburg Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Orient-Macksburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2009

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person should open the mail and prepare an initial listing of the checks received and should later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks issued are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and search for possible alternatives.

Conclusion - Response accepted.

I-B-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

The Secondary Pepsi, Elementary and Middle School Reading accounts appears to be instructional in nature. These accounts appear to be instructional in nature and are more appropriately handled from the general fund.

There is a Class of 2006 and a Class of 2007 with account balances in the Student Activity Fund. Past graduating class accounts should be closed and allocated to the other activity accounts.

Response - We will review our procedures to ensure activity fund accounts are properly used.

Conclusion - Response accepted.

- I-C-08 Clothing Purchased for Employees - We noted during our audit that the District purchased clothing for employees from the secondary Pepsi and elementary reading account in the Special Revenue: Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval. The District should refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances. The District needs to be reimbursed by the employees receiving clothing or include the clothing costs on the employee's W-2.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds

Response - We will review our policies on purchases from the activity fund.

Conclusion - Response accepted.

- I-D-08 Cash Payments to Students - It was noted that when students travel on trips that they receive money for meals. The District has no documentation from the sponsor showing the distribution of the funds they received or receipts for the expenditures.

Recommendation - When the District issues money for student trips. The sponsor(s) of the trip should have a signoff sheet for each student to sign when receiving their portion of the funds and the amount that they received. The sign off sheet should be turned into the office to support the check. The District should review their procedures and policies in place and implement controls to ensure that the documentation is gathered to support the check issued for cash for the trip.

Response - We will review our procedures and implement procedures to retain the proper documentation.

Conclusion - Response accepted.

- I-E-08 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as overtime issues.

Response - We will begin keeping time sheets for non-certified coaches.

Conclusion - Response accepted.

I-F-08 Grants and Allocations - We noted during our audit, various federal grant issues as described below:

When the final report for Title I grant was filed, the general ledger was not used to determine expenses. This resulted in over claiming expenses by \$294.

The District filed an application for the Safe and Drug Free grant in the amount of \$1,305, however, none of the quarterly reports were filed. As a result, subsequent funding was not received.

The District was approved for \$22,859 in the Rural Education Achievement Program(REAP) grant, however, the District didn't spend any of this allocation. As a result, subsequent funding was not received.

Recommendation - The District should amend the Title I final report submitted and repay the overage. The District may apply for the carryover allocation in fiscal 2009. In the future, the District should use the general ledger when completing final reports.

The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

The district should monitor timelines for grants to ensure that quarterly reports are filed timely and therefore grant revenues are received for the programs.

Response - We will review our federal grant procedures and file our reports timely.

Conclusion - Response accepted.

I-G-08 Purchase Orders - We noted during our audit that District does use purchase orders in the purchase process, however, many of the purchase orders are actually completed after the product is ordered and at times may be completed after the receipt of the products.

Recommendation - The advantage of using a purchase order system is that the approvals of the items being purchased are noted prior to the ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also, reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring the actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore, allowing the person who approves the purchase orders, the insight to know, if there is still available funding to make the purchase.

Although, Districts are not required to a purchase order system, the benefits to financial management make the system, desirable. The District's current purchase order system should be reviewed and the necessary changes mad so that all disbursements are approved by the appropriate administrator, before the ordering of the supplies takes place.

Response - We will review our purchase order procedures.

Conclusion - Response accepted.

I-H-08 Board Policies - We noted during our audit, that the District hasn't implemented a cell phone policy. The policy should address the issues and requirements for employees who

utilize District owned cell phones or receive a dollar allowance for their personal cell phones.

Recommendation - The District should review their procedures in place and update or implement the necessary policies.

Response - We will review our policies and implement the necessary policies.

Conclusion - Response accepted.

I-I-08 Activity Fund Invoices - During our audit, we noted instances where the District paid Activity Fund expenditures that did not have invoices to support the payment.

Recommendation - The District should present the bills for payment to the Board of Directors for proper approval in accordance with the District's policy of payment of goods. The District should also review their procedures that are in place to ensure that all bill are supported, approved, and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or requiring additional support documents other than the invoice.

Response - We will review our policies and procedures on expenditures from the activity fund.

Conclusion - Response accepted.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008, exceeded the amounts budgeted in the instructional, non-instructional, and other expenditures function.

Recommendation -The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will review our budgeted expenditures in order to make timely budget amendments.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979, except as noted in I-B-08.

- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-08 Business Transactions - No business transactions between the District and District officials were noted.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-08 Certified Enrollment - The number of basic enrolled students reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for October 2007 was overstated by one student. This resulted in overstating the total actual enrollment at line 7 by 1 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

- II-J-08 Financial Condition - During our audit we noted that the District had deficit unrestricted net assets in the Enterprise, School Nutrition Fund of \$18,028 and in the Enterprise, Day Care Fund of \$46,931.

It was also, noted that the Special Revenues, Activity Fund had four deficit accounts in the amount of \$572.

Recommendation - The District should continue to monitor these funds and accounts and investigate and implement alternatives to eliminate these deficits.

Response - We are monitoring funds and investigating alternatives to eliminate the deficits.

Conclusion - Response accepted.

- II-K-08 PPEL Expenditures - We also, noted during our audit that, the District is currently making purchases from the Special Revenues , Physical Plant and Equipment Levy (PPEL) Fund which do not appear to be in compliance with Chapter 298 and 423, of the Code of Iowa. The District purchased maintenance and computer software for \$5,450.95, which would be more appropriate from the General Fund.

Recommendation - The District should review their procedures to ensure that future purchases made from these funds are in compliance with Chapters 298 and 423 of the Code of Iowa. The District should make the corrective transfer of \$5,450.95, from the General Fund to Special Revenue: Physical Plant and Equipment Levy Fund.

Response - We made the corrective transfer and will review our policies regarding purchases from the Special Revenue, Physical Plant and Equipment Levy Fund.

Conclusion - Response accepted.

- II-L-08 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - We requested an image of both the front and back of all cancelled checks.

Conclusion - Response acknowledged. The District needs to receive the front and back of the check.

- II-M-08 Signing of Officiating Contracts - We noted during our audit that the Board President was not signing athletic officiating contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into, to comply with Chapter 291.1 of the Code of Iowa.

Response - We will have the Board President sign athletic officiating contracts.

Conclusion - Response accepted.